



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Division Director

December 1, 2003

TO: Lowell P. Braxton, Director

THRU: Mary Ann Wright, Associate Director

THRU: Wayne Hedberg, Permit Supervisor

FROM: Paul Baker, Senior Reclamation Biologist

RE: Request for Approval of Form and Amount of Replacement Reclamation Surety, U.S. Energy Corp., Velvet Mine, M/037/040, San Juan County, Utah

On September 18, 2003, the Division received a letter from U.S. Energy Corp. requesting a reduction of surety. In that letter, the operator informed us of the reclamation work that had been accomplished. They realized that we needed to hold back enough monies for revegetation success. On September 23, 2003, we received verification from the Monticello Bureau of Land Management office agreeing that the work has been accomplished and they agreed with reduction of the surety amount. On September 25, 2003, we sent a letter authorizing partial release of the surety amount from \$63,900 to \$23,400, escalated three years to year 2006, for the required three years of revegetation success.

On November 28, 2003, we received a bond rider from Employers Mutual Casualty Company reducing the existing surety amount from \$63,900 to the required \$23,400. We also received a replacement Reclamation Contract showing the reduced surety amount. Employers Mutual Casualty has an A- rating on the A.M. Best rating guide.

If you are in agreement with acceptance of the partial release of the reclamation surety please sign and date the Reclamation Contract and all three pages of the bond rider as indicated. We will then forward copies of the executed documents to U.S. Energy Corp. for their files. Thank you for your consideration of this request.

jb

Enclosure: MR-RC & surety rider

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Approved
LP Braxton
12-3-03